

WASHINGTON—Today, Congressman Joe Sestak (D-PA), Vice Chairman of the House Small Business Committee, voted for the Senate Amendment to the Recovery Rebates and Economic Stimulus for the American People Act of 2008 (H.R. 5140), a piece of legislation that will bring temporary, targeted, and timely relief to the American people that need it most at a time when the economy is most at risk. — “I am proud to support the passage of this bi-partisan, bi-cameral effort to provide timely economic stimulus and relief to the American people,” said Congressman Sestak. “With economic growth slowing, and many economic analysts predicting recession on the horizon, I believe that this package represents an acceptable compromise that will help hardworking Americans who are struggling with the rising costs of living, from skyrocketing energy and health care costs to soaring mortgage payments in the sub-prime market.” said Congressman Sestak.

The Senate measure expanded eligibility for rebate checks, allowing 20 million Social Security recipients and 250,000 disabled veterans to qualify. It also set higher phase out amounts of \$150,000 for individuals and \$300,000 for couples than the House-passed bill.

Economists estimate that each dollar of broad tax cuts will lead to \$1.26 in economic growth. This is why Congressman Sestak strongly supports a temporary, timely, targeted tax relief for the American people who need it the most. Under this economic stimulus package, nearly \$50 billion of the tax rebates will go to middle-income Americans making less than \$50,000. Studies by Moody's Economy.com has shown that tax rebates that include low- and moderate-income families are 24 percent more effective as stimulus than rebates that leave such families out.

This \$167 billion economic stimulus package passed today represented a bipartisan effort on behalf of the President, the House of Representatives, Senate, and the Treasury Department. The economic stimulus package is intended to create additional spending and investment generated in our economy to head off or reduce the impact of an economic recession.

With over 70% of jobs in the United States created by small businesses, the stimulus package provides incentives for small business investment, since they are the most likely to suffer during times of recession when overshadowed by big businesses and overlooked by consumers. Additionally, the legislation will expand financing opportunities for Americans in danger of losing

their homes because of troubles in the mortgage market.

### **New Tax Rebates for Individuals and Families**

For 117 million American working families, the economic stimulus package can provide tax relief of up to \$600 for an individual and \$1,200 for a married couple who files jointly, plus an additional \$300 tax rebate per child.

The bill will also provide tax relief for 35 million families who work but make too little to pay income taxes, a group that is most frequently left out of economic stimulus efforts. Americans who earned at least \$3,000 in 2007 will get at least a \$300 tax rebate and \$600 per couple. Additionally, the tax relief will begin to phase out for individual incomes of \$75,000 and \$150,000 for a married couple.

### **Section 179 Capital Expenditure Limit Increases for Small Businesses**

The bill will increase from \$125,000 to \$250,000 per year the limit on the amounts of equipment that small businesses can "expense," or write-off, in the year that the equipment is placed in service. Under Section 179 of the tax code, small businesses are permitted to "expense" — or deduct in full — the cost of certain equipment and property in the year it is placed in service, rather than using depreciation to recover the costs of those items. Among the types of investments eligible are machinery and equipment, off-the-shelf computer software, and tangible property integral to manufacturing, production, and other activities.

Under current law, if a business invests more than \$500,000, adjusted for inflation, then the amount that the business can write up is reduced. However, a new provision increases that threshold to \$800,000. This change will allow small businesses to expense a greater amount of purchases, and also will allow businesses that make larger amounts of investment to qualify for the expensing rules. The bill prevents the dollar amounts for 2008 from being indexed for inflation.

### **50 Percent Bonus Depreciation for Businesses**

For small businesses, H.R. 5140 provides 50% bonus depreciation for certain equipment purchased and placed in service in 2008, allowing those firms to recover 50% of the cost of such investments in the year that they are made. This would allow businesses to deduct from their taxes 50% of the value of that property in addition to amounts that they could otherwise claim under depreciation rules after the item's value is adjusted to account for the "bonus"

depreciation.

### **New Housing Loan Limits to Help Families Keep their Homes**

Contributing to economic anxiety has been the current housing market slowdown, which has been propelled by foreclosures of homes purchased with subprime mortgages. Many of these subprime mortgages, which were offered to "riskier" borrowers, included adjustable interest rates; when those rates increased, some homeowners were unable to make their payments.

Additionally, the Commerce Department recently reported that new home purchases fell to a 12-year low last month, and that median home prices dropped 10% from the year before, the most in 37 years. In 2007, the median home price rose only 0.2% to \$246,900, but home sales dropped 26%, which is the largest drop since records began in 1963.

While home ownership has traditionally been part of an individual or household's personal wealth, the recent troubles and volatility in the home mortgage market has created grave concerns among millions of Americans, who may now be in danger of losing their homes while the housing market has stalled. H.R. 5140 expands financing opportunities for Americans in danger of losing their homes by temporarily increasing the size of individual mortgages that Fannie Mae and Freddie Mac can purchase, and the size of mortgages that the Federal Housing Administration (FHA) can insure.

To that end, the limit for Fannie Mae and Freddie Mac would be increased from the current limit \$417,000 to \$729,750 in 2008. Similarly, the FHA loan limit would be increased from the current limit \$362,000 to \$729,750 in 2008.

Fannie Mae was created in 1938 as the Federal National Mortgage Association, a quasi-governmental agency, to expand the flow of mortgage money by creating a secondary market for mortgages. Freddie Mac, the Federal Home Loan Mortgage Corporation, was created in 1970 to create a secondary market in mortgages issued by savings and loans. The FHA was created in 1934 to provide mortgage insurance on loans made by approved lenders throughout the United States and its territories. The FHA insures mortgages on single family,

multifamily, manufactured homes and hospitals, and is the largest insurer of mortgages in the world.

*Born and raised in Delaware County, former 3-star Admiral Joe Sestak served in the Navy for 31 years and now serves as the Representative from the 7th District of Pennsylvania. He led a series of operational commands at sea, including Commander of an aircraft carrier battle group of 30 U.S. and allied ships with over 15,000 sailors and 100 aircraft that conducted operations in Afghanistan and Iraq. After 9/11, Joe was the first Director of "Deep Blue," the Navy's anti-terrorism unit that established strategic and operations policies for the "Global War on Terrorism." He served as President Clinton's Director for Defense Policy at the National Security Council in the White House, and holds a Ph.D. in Political Economy and Government from Harvard University. According to the office of the House Historian, Joe is the highest-ranking former military officer ever elected to the U.S. Congress.*